

Message Text

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ACTION IO-10

INFO OCT-01 EA-06 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-02

LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

PM-03 OIC-02 ERDA-05 FPC-01 SAM-01 OES-03 XMB-02 /113 W

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R 140814Z MAY 75

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 8139

INFO USMISSION USUN

USMISSION GENEV DQVET

AMCONSUL MEDAN

AMCONSUL SURABAYA

C O N F I D E N T I A L SECTION 1 OF 2 JAKARTA 5810

EO 11652: GDS

TAGS: PFOR PORG EGEN UN UNGA ID

SUBJ: INDONESIAN APPROACH TO UNGA SPECIAL SESSION

REF: STATE 075525

BEGIN SUMMARY: INDONESIA'S POLICY IS PRAGMATIC BLEND OF THREE SOMETIMES COMPETING THEMES. ITS NEED TO DC AID AND CREDITS LEADS TO MODERATE COOPERATIVE APPROACH TOWARD DC'S ON MANY ISSUES. BUT AS OIL PRODUCER AND OPEC MEMBER, INDONESIA VIGOROUSLY SUPPORTS HIGH OIL PRICES, WHICH IT REGARDS AS ITS BEST HOPE FOR DEVELOPMENT. AT SAME TIME INDONESIA MOVED BY NON-ALIGNED POSITION AND GENERAL INCLINATION STRONGLY SUPPORTS LDC OBJECTIVE OF "NEW ECONOMIC ORDER" AND REDISTRIBUTION OF WORLD'S WEALTH. THESE CONFLICTING THEMES REQUIRE GOI TO APPLY DEGREE OF CALCULATED AMBIGUITY IN ITS PUBLIC POSITIONS, AND PREVENTS IT FROM ASSERTING LEADERSHIP IN UN OR OTHER FORUMS.

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EXCEPT FOR OIL, INDONESIA HAS NO MAJOR ECONOMIC INTERESTS

THAT DISTINGUISH IT FROM OTHER LDC'S AND WHICH MIGHT PERSUADE IT TO JOIN OPPOSITION TO MILITANTS. US EFFORTS DIVIDE LDC'S OR APPEALS ON BEHALF OF STRENGTHENED MODERATE LEADERSHIP BY INDONESIA IN LDC GROUP AT NEXT UNGA SPECIAL SESSION LIEELY TO HAVE LITTLE EFFECT IN ABSENCE NEW RESPONSES OR PROPOSALS FROM US OR OTHER DC'S. END SUMMARY

1. GENERAL POLICY. GOI'S FOREIGN POLICY IS STRONGLY ORIENTED TOWARD DEVELOPMENT OBJECTIVES. AS POOR NATION, FORMER COLONY AND RAW MATERIAL EXPORTER, INDONESIA SHARES DESIRES OF OTHER LDC'S FOR "NEW ECONOMIC ORDER," REDRESS OF GAP BETWEEN INDUSTRIAL DC'S AND THIRD WORLD, AND MORE EQUITABLE DIVISION OF BENEFITS FROM EXPORTS, TRADE AND INVESTMENT RELATIONS WITH DC'S. GOI UNLIKELY OPPOSE LDC INITIATIVES TO THIS END AT UNGA SPECIAL SESSION IN SEPTEMBER.

2. ON INDIVIDUAL ISSUES INDONESIA SHUNS IDEOLOGICAL, CONFRONTATIONIST APPROACH OF MILITANT LDC'S IN FAVOR OF MODERATION ON RELATIONS WITH DC'S. GOI HAS RELIED HEAVILY ON WESTERN AND JAPANESE SOURCES FOR ECONOMIC RECONSTRUCTION AND DEVELOPMENT; IT BELIEVES IT MUST CONTINUE TO DO SO. SEARCH FOR NEW CREDITS FROM SOCIALIST AND ARAB WORLD HAS PRODUCED LIMITED RESULTS THUS FAR. OTHER FACTORS THAT CONTRIBUTE TO GOI'S MODERATION ARE STONG ANTI-COMMUNISM OF SUHARTO LEADERSHIP, AND GENERAL DISLIKE OF AGGRESSIVE ALGERIAL AND RADICAL MOSLEM DRIVE FOR THIRD WORLD LEADERSHIP.

3. NOTWITHSTANDING GOI MODERATION IT IS DEEPLY DISSATISFIED WITH TERMS OF ITS ECONOMIC RELATIONS WITH DC'S. IN ITS OIL PRICE POLICY, IT IS NOT PREPARED GIVE UP ADVANTAGES OF HIGH PRICES OR BREAK OPEC SOLIDARITY; AND IT HAS GAINED CONFIDENCE IN POSSIBILITIES OF CONCERTED ACTION IN OTHER AREAS WITH OTHER LDC'S OR PRODUCERS. IN UNLIKELY EVENT LDC CONSUMER NATIONS SHOULD BREAK WITH OPEC GROUP, INDONESIA WOULD PROBABLY STAND WITH OPEC; BUT TO PREVENT SUCH A SPLIT, IT WILL CONTINUE TO SHOW SYMPATHY FOR PROPOSALS ON BEHALF OF MOST SERIOUSLY AFFECTED POOR LDC'S AND GIVE IT LEAST PRO-FORMA ENDORSEMENT FOR SOME OF MORE VISIONARY LDC PROPOSALS.

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4. ON OTHER ISSUES THAT MAY ARISE IN SPECIAL SESSION, GOI WILL TRY TO KEEP LDC VS DC DEBATE WITHIN ECONOMIC CONTEXT, AS IT BELIEVES IDEOLOGICAL CONFRONTATIONIST APPROACH IS COUNTERPRODUCTIVE. NEVERTHELESS, IT WILL NOT RISK SHARP DEVIATION FROM LDC MAINSTREAM BY CONFRONTING MILITANT LDC LEADERSHIP OR TAKING POSITIONS THAT MIGHT BRAND IT AS TOOL OF DC'S. THIS YEAR, GOI MAY BE EVEN

LESS WILLING TO PUCH FOR MODERATION, BECAUSE OF POLITICAL DAMAGE IT BELIEVES IT SUFFERED IN LDC AND NON-ALIGNED CAMP BY ITS STRONG SUPORT FOR FORMER LON NOL CAMBODIAN GOVERNMENT. ONE FONDEP OFFICIAL MENTIONED TO DCM THAT GOI MAY BE FORCED TO TAKE MORE MILITANT POSITIONS IN NON-ALIGNED AND LDC FORUMS IN NEAR FUTURE TO RESTORE NON-ALIGNED CREDENTIALS; THIS MIGHT BE ANOTHER FACTOR IN GOI BEHAVIOR AT SEPCIAL SESSION, ESPECIALLY IF KHMER ROUGE OR SOUTH VIETNAMESE COMMUNISTS ARE REPRESENTED.

5. ALTHOUGH INDONESIA IS UNLIKELY TO TAKE LEAD IN MODERATING LDC'S DURING SPECIAL SESSION OR OPPOSING MILITANTS, IT WOULD RESPOND FAVORABLY TO ANY US OR OTHER DC INITIATIVE DESIGNED TO RECONCILE LDC-DC INTERSTS, IF THESE PROPOSALS ARE SPECIFIC AND OFFER CLEAR BENEFITS TO GOI. MERE APPEALS FOR COOPERATION AND INTER-DEPENDENCE VS CONFRONTATION WILL MAKE LITTLE IMPRESSION, AND SPECIFIC PROPOSALS RESPONDING TO LDC CONCERNS SHOULD BE COUPLED WITH SYSTEMATIC FOLLOW THROUGH BY US. (THERE WAS SOME DISAPPOINTMENT IN GOI AFTER LAST SPECIAL SESSION THAT AFTER SECRETARY KISSINGER'S PRESENTATION WHICH WAS WELL RECEIVED TMERE APPEARED TO BE LITTLE FOLLOW UP BY US)

6. SPECIFIC ISSUES. GOI'S APPROACH TO PARTICULAR ISSUES LIKELY TO ARISE AT UNGA SPECIAL SESSION NOTED IN PARA 5 DEPARTMENT'S REFTEL, AND OTHER ISSUES, DESCRIBED AS FOLLOWS:

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C O N F I D E N T I A L SECTION 2 OF 2 JAKARTA 5810

INCREASED EXPORT EARNINGS. SUCCESS OF OPEC EXPERIMENT HAS PROMPTED GOI TO SEARCH FOR OTHER DEVICES FOR IMPROVING AND STABILIZING PRICES FOR ITS SUBSTANTIAL RAW MATERIAL AND COMMODITY EXPORTS. IT IS NOW DISCUSSING WITH OTHER PRODUCER NATIONS POSSIBLE ARRANGEMENTS FOR MORE ADVANTAGEOUS MARKETING OF RUBBER, BAUXITE AND COPPER AND OTHER COMMODITIES. GOI BELIEVES, IN PRINCIPLE, THAT INDUSTRIAL NATIONS CONSUMERS SHOULD PAY HIGHER PRICES FOR ALL RAW MATERIALS AND THAT LDC SHOULD NO LONGER "SUBSIDIZE" INDUSTRIAL ECONOMIES. BUT IN PRACTICE, IT IS MORE INTERESTED IN REALISTIC ARRANGEMENTS THAT WILL PROVIDE PRICE STABILITY SUCH AS BUFFER STOCKS, AND WOULD SUPPORT PRACTICAL SCHEMES FOR COOPERATION BETWEEN SUPPLIERS AND CONSUMERS, ESPECIALLY FOR RUBBER AND TIN. GOI IS ALSO INTERESTED IN STABILIZING NOW VOLATILE TIMBER MARKET THROUGH PRODUCER-CONSUMER CONSULTATIONS. WE BELIEVE GOI WOULD RESPOND WITH SPECIAL INTEREST TO US INITIATIVES FOR COMMON TRADING SCHEMES OR CONSULTATIONS ON RAW
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MATERIALS.
NEW INTERNATIONAL DIVISION OF LABOR. SINCE INDONESIA'S INDUSTRIAL EXPORTS ARE INCONSEQUENTIAL, GOI WILL NOT TAKE STRONG POSITION ON THIS ISSUE.

INDEXATION. ALL GOI POLICY STATEMENTS ON OIL PRICES STRESS THAT THERE CAN BE NO REDUCTION OF PRICES WITHOUT CORRESPONDING REDUCTION OF INDUSTRIAL IMPORT PRICES AND ADVERSE EFFECT OF INDUSTRIAL WORLD'S INFLATION ON LDC'S. GOI HAS SHOWN NO INTEREST, HOWEVER, IN UNTYING RUPIAH FROM DOLLAR OR NEW CURRENCY VALUATION MEASURES.

DEVELOPMENT ASSISTANCE. GOI, BACKED BY RECENT IBRD IMF REPORT, BELIEVES IT WILL CONTINUE TO NEED LARGE INFLOWS OF CONCESSIONAL AID FOR NEXT FEW YEARS; IT WILL BACK LDC INITIATIVES FOR INCREASED DC ASSISTANCE. IT WILL NOT SUPPORT PROPOSALS FOR GENERAL LDC DEBT RENEGOTIATION AND CANCELEATION, HOWEVER, SINCE IT IS ANXIOUS TO MAINTAIN ITS REPUTATION FOR CREDITWORTHINESS WITH GOVERNMENT DONORS AND IN WORLD CAPITAL MARKET. IT WILL ALSO SUPPORT INITIATIVES FOR MORE RAPID TRANSFER OF

TECHNOLOGY, SDR-AID LINK, AND SPECIAL FUNDS, ALTHOUGH IT WILL NOT HAVE RESOURCES TO CONTRIBUTE TO THE LATTER.

PROTECTION AGAINST ECONOMIC PENETRATION. GOI WILL BY SYMPATHETIC TOWARD PROPOSALS FOR GREATER CONTROLS OVER MULTINATIONAL CORPORATIONS AND OTHER INTERNATIONAL CODES TO PROTECT LDC'S. FOREIGN MINISTER ADAM MALIK HAS TAKEN SPECIALINTEREST IN MNC PROBLEM WHICH IS VIGOROUSLY DEBATED IN INDONESIA; GOI WILL PROBABLY NOT, HOWEVER, ENCOURAGE RADICAL MEASURES IN THIS AREA SINCE IT STILL SEEKS MAJOR PRIVATE CPAITAL INVESTMENT FROM MNC'S, ESPECIALLY IN NATURAL RESOURCE AREA.

ENHANCED LDC ROLE IN ECONOMIC INSTITUTIONS AND UN. WE ARE NOT AWARE OF SPECIAL GOI INTERST IN THESE SUBJECTS, ALTHOUGH IT WOULD PROBABLY SUPPORT SUCH INITIATIVES IN PRINCIPLE.

TRADE. IN MTN AND IN CONSULTATIONS WITH EC, GOI, CONFIDENTIAL

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TOGETHER WITH ASEAN PARTNERS, HAS SOUGHT MORE FAVORABLE TARRIFF TREATMENT FOR GOI COMMODITY EXPORTS. IN GENERAL IT SEEKS TO PURSUE IMPROVED TERMS THROUGH MTN NEGOTIATIONS AND IN REGIONAL CONTEXT, BUT IT WOULD SUPPORT UNGA INITIATIVES IN THIS AREA.

7. CONSULTATIONS. IT WILL BE USEFUL TO CONSULT WITH GOI IN ADVANCE OF UNGA SPECIAL SESSION, AS WE NORMALLY DO, TO ASCERTAIN ITS POSITION ON VARIOUS ISSUES AND EXPLAIN US VIEWS. SUCH CONSULTATIONS WOULD BE MORE PRODUCTIVE OF COURSE, IF US DEVELOPS SPECIFIC PROGRAM IN ADVANCE. SINCE INDONESIA USUALLY CONSULTS CLOSELY WITH ASEAN PARTNERS ON INTERNATIONL ECONOMIC ISSUES AND ASEAN MEMBERS STRIVE FOR JOINT POSITIONS IN INTERNATIONAL FORUMS INCLUDING UN, WE SHOULD CONSIDER MAKING COORDINATED APPROACH TO ALL ASEAN GOVERNMENTS. WE AGREE THAT COORDINATION ON GENERAL DC APPROACH SHOULD BE ATTEMPTED BEFORE APPROACHING LDC'S. CONSULTATION WITH INDONESIAN SHOULD TAKE PLACE BOTH IN JAKARTA AND AT UN. NEWSOM

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